

UNITED STATES BANKRUPTCY COURT DISTRICT OF NEW JERSEY Caption in Compliance with D.N.J. LBR 9004-1(b)	
<p>BROWN RUDNICK LLP Robert J. Stark, Esq. Kenneth J. Aulet, Esq. Bennett S. Silverberg, Esq. Seven Times Square New York, NY 10036 Telephone: (212) 209-4800 Fax: (212) 209-4801 Email: rstark@brownrudnick.com kaulet@brownrudnick.com bsilverberg@brownrudnick.com <i>Counsel for the Official Committee of Unsecured Creditors</i> -and- GENOVA BURNS LLC. Daniel M. Stolz, Esq. Donald W. Clarke, Esq. Gregory S. Kinoian, Esq. 110 Allen Rd., Suite 304 Basking Ridge, NJ 07920 Telephone: (973) 230-2095 Fax: (973) 533-1112 Email: DStolz@genovaburns.com DClarke@genovaburns.com GKinoian@genovaburns.com <i>Local Counsel for the Official Committee of Unsecured Creditors</i></p>	<p>BROWN RUDNICK LLP Stephen D. Palley, Esq. 601 Thirteenth Street, NW Washington, DC 20005 Telephone: (202) 536-1700 Fax: (202) 536-1701 Email: spalley@brownrudnick.com</p> <p>BROWN RUDNICK LLP One Financial Center Boston, MA 02111 Tristan Axelrod, Esq. Sharon I. Dwoskin, Esq. Telephone: (617) 856-8300 Fax: (617) 856-8201 Email: taxelrod@brownrudnick.com sdwoskin@brownrudnick.com</p>
<p>In re:</p> <p>BLOCKFI INC., <i>et al.</i>,</p> <p style="text-align: right;">Debtors.¹</p>	<p>Chapter 11</p> <p>Case No. 22-19361 (MBK)</p> <p>Jointly Administered</p>

¹ The Debtors in these Chapter 11 cases, along with the last four digits of each Debtor's federal tax identification number, are: BlockFi Inc. (0015); BlockFi Trading LLC. (2487); BlockFi Lending LLC (5017); BlockFi Wallet LLC (3231); BlockFi Ventures LLC (9937); BlockFi International Ltd. (N/A); BlockFi Investment Products LLC (2422); BlockFi Services, Inc. (5965) and BlockFi Lending II LLC (0154). The location of the Debtors' service address is 100 Horizon Center Blvd., 1st and 2nd Floors, Hamilton, NJ 08691.

**FIRST INTERIM APPLICATION FOR ALLOWANCE OF FEES AND
REIMBURSEMENT OF EXPENSES OF BROWN RUDNICK LLP, AS COUNSEL
TO THE OFFICIAL COMMITTEE OF UNSECURED CREDITORS FOR SERVICES
RENDERED AND REIMBURSEMENT OF EXPENSES INCURRED FOR THE PERIOD
OF DECEMBER 29, 2022 THROUGH AND INCLUDING APRIL 30, 2023**

TO: THE HONORABLE MICHAEL B. KAPLAN
UNITED STATES BANKRUPTCY JUDGE

Brown Rudnick LLP (“Brown Rudnick”), counsel to the Official Committee of Unsecured Creditors (the “Committee”), submits this first interim application (the “Application”), pursuant to sections 330(a) and 331 of title 11 of the United States Code, (the “Bankruptcy Code”), Rule 2016 of the Federal Rules of Bankruptcy Procedure (the “Bankruptcy Rules”), Rules 2016-1 and 2016-3 of the Local Rules of the United States Bankruptcy Court for the District of New Jersey (the “Local Rules”), and the *Administrative Fee Order Establishing Procedures for the Allowance and Payment of Interim Compensation and Reimbursement of Expenses of Professionals Retained by Order of this Court* [Docket No. 307] (the “Interim Compensation Order”) for the interim allowance of compensation for professional services provided in the amount of \$6,637,442.50 and reimbursement of actual and necessary expenses in the amount of \$207,522.52 that Brown Rudnick incurred for the period from December 29, 2022 through and including April 30, 2023 (the “Application Period”) and requests entry of an order substantially in the form submitted herewith. In support of the Application, Brown Rudnick respectfully represents as follows:

1. On November 28, 2022 (the “Petition Date”), each of the Debtors filed voluntary petitions for relief under chapter 11 of the Bankruptcy Code, thereby commencing the instant cases (the “Chapter 11 Cases”). Since the Petition Date, the Debtors have continued to operate and manage their businesses as debtors-in-possession under sections 1107 and 1108 of the Bankruptcy Code. The Debtors’ Chapter 11 Cases are being jointly administered for procedural purposes only

pursuant to Rule 1015(b) of the Bankruptcy Rules. No trustee or examiner has been appointed in the Chapter 11 Cases.

2. On December 21, 2022, the United States Trustee for the District of New Jersey (the “U.S. Trustee”) formed the Committee in these Chapter 11 Cases. *See Notice of Appointment of Official Committee of Unsecured Creditors* (the “Notice of Appointment”) [Docket. No. 130].²

3. On December 29, 2022, the Official Committee of Unsecured Creditors selected Brown Rudnick as counsel, Genova Burns LLC (“Genova Burns” or “Local Counsel”) as local counsel, and McCarter & English, LLP (“McCarter & English” or “Efficiency Counsel”) as efficiency counsel, each subject to the Court’s approval.

4. On February 23, 2023, the Court approved the retention and employment of Brown Rudnick as counsel [Docket No. 544] and Genova Burns as local counsel [Docket No. 543], and on March 7, 2023, approved the retention and employment of McCarter & English as efficiency counsel [Docket No. 588], each *nunc pro tunc* to December 29, 2023.

5. This Application is Brown Rudnick’s first application for allowance of interim compensation for services rendered and for reimbursement of expenses. Brown Rudnick previously filed four (4) monthly fee statements [Docket Nos. 617, 698, 734, and 872] (together, the “Monthly Fee Applications”) covering the Application Period. The Monthly Fee Applications were also served upon the Debtors, the U.S Trustee, and the other notice parties in accordance with the provisions of the Interim Compensation Order and are incorporated herein by reference.

² The U.S. Trustee filed an *Amended Notice of Appointment of Official Committee of Unsecured Creditors* on December 22, 2022, to reflect certain non-substantive additions. [Docket. No. 131].

**SUMMARY OF SERVICES PERFORMED BY
BROWN RUDNICK DURING THE FIRST INTERIM FEE PERIOD**

6. The services rendered by Brown Rudnick during these Chapter 11 Cases can be grouped into the categories set forth below. Brown Rudnick attempted to place the services provided in the category that best relates to such services. However, because certain services may relate to one or more categories, services pertaining to one category may in fact be included in another category. The following provides a narrative description of project categories to which attorneys and paraprofessionals of Brown Rudnick dedicated the most significant time (i.e., time charges in excess of \$50,000 in the aggregate) during the Application Period:

(a) Case Administration (Matter 0002): Fees: \$113,861.00; Total Hours: 185.4.

These fees include all services rendered by Brown Rudnick relating to general administration of the case and may also include specific matters that are not readily classifiable into other more specific matters. This category includes time expended by Brown Rudnick preparing the by-laws adopted by the Committee, monitoring the case docket and circulating pertinent filings, coordinating internally to optimize workstreams, coordinating with Genova Burns to ensure compliance with local procedures and practices, preparing materials ahead of upcoming hearings, and calendaring of pertinent dates and deadlines established during the course of these cases.

(b) Meetings and Communications with Creditors (Matter 0003): Fees: \$682,813.00; Total Hours: 574.6. These fees include all services rendered by Brown Rudnick relating to in-person or virtual meetings with the Committee. This is a fast-moving bankruptcy case involving complex aspects of bankruptcy law and billions of dollars of customer obligations. Due to the size and complexity of this case, it was (and remains) necessary for Brown Rudnick to meet and consult with the Committee on a regular basis to keep the Committee adequately informed on case developments and strategic decisions. During the Application Period, Brown

Rudnick and other Committee professionals conducted standing weekly meetings with the Committee, as well as additional meetings and communications as circumstances warranted. Brown Rudnick also prepared weekly updates to the Committee to apprise the Committee of upcoming meetings, deadlines, related case developments, and ongoing workstreams to streamline discussions with the Committee. Further, Brown Rudnick responded to numerous creditor inquiries regarding the status of these Chapter 11 Cases, including questions related to proof of claims and timing of distributions. Brown Rudnick also developed and maintained a website and Twitter account to provide creditors with updates and pertinent information, including but not limited to FAQs, general updates, and open letters to customers.

(c) **Employment and Fee Applications (Matter 0004): Fees: \$151,274.00; Total Hours: 161.2.** These fees include all services rendered by Brown Rudnick relating to the preparation of its retention application, along with other professionals sought to be retained by the Committee where necessary. Brown Rudnick also prepared certain supplemental disclosures in connection with its retention application as requested by the U.S. Trustee and prepared a detailed budget and staffing plan. Brown Rudnick complied with the Interim Compensation Order and prepared and filed four (4) monthly fee statements to date which are the subject of allowance pursuant to this Application.³

³ The *Order Appointing an Independent Fee Examiner and Establishing Related Procedures for the Review of Fee Applications of Retained Professionals* (the “Fee Examiner Order”) [Docket No. 925] was entered on May 17, 2023, and includes a schedule for the submission and reporting of all interim and final applications of all professionals retained under sections 327 or 1103 of the Bankruptcy Code in these cases. The schedule provides that the first interim application will cover the period November 28, 2022, – March 31, 2022, to be filed by May 15, 2023. Prior to entry of the Fee Examiner Order, Brown Rudnick and the Fee Examiner appointed therein agreed to a revised schedule with respect to the Committee’s professionals, including Brown Rudnick. Brown Rudnick and the Fee examiner agree that the Committee professionals’ (i) first interim fee applications would cover the period through and including April 30, 2023, and would be filed by June 15, 2023, and (ii) subsequent interim applications would follow the remaining schedule set forth in the Fee Examiner Order, with the second application covering the periods May 1, 2023 – July 31, 2023.

(d) **Employment and Fee Application Objections (Matter 0005): Fees: \$102,450.00; Total Hours: 87.2.** These fees include all services rendered by Brown Rudnick reviewing, and conducting diligence into, the Debtors' applications to retain various professionals. During the Application Period, Brown Rudnick helped the Committee evaluate the Debtors' proposed retention of Moelis & Company as the Debtors' investment banker. At the direction of the Committee, Brown Rudnick prepared and filed an objection to the Debtor's retention thereof and ultimately resolved the Committee's objection to Moelis' retention.

(e) **Plan and Disclosure Statement (Matter 0006): Fees: \$232,358.00; Total Hours: 180.7.** These fees include all services rendered by Brown Rudnick relating to responding to the Debtors' request for an extension of the exclusivity period, which included filing an objection thereto and preparing for a hearing thereon. Brown Rudnick conducted research related to the development of a Chapter 11 plan and ancillary plan issues, such as the regulatory issues that may be implicated and the plan treatment for the various Debtors' intercompany claims. Brown Rudnick also met with the Debtors on numerous occasions to address plan-related issues and prepared a preliminary plan term sheet as part of such negotiations.

(f) **Stay Relief/Injunction Litigation (Matter 0007): Fees: \$139,030.00; Total Hours: 143.0.** These fees include all services rendered by Brown Rudnick relating to responding to the Department of Justice's request to seize certain collateral in connection with its investigation of certain BlockFi clients. Brown Rudnick, at the direction of the Committee, responded to the seizure attempt through the commencement of an adversary proceeding with this Court and obtained multiple temporary restraining orders prohibiting the Department of Justice from seizing property of the estate on account of seizure warrants issued by the District Court in Washington.

(g) **Committee Investigation (Matter 0010): Fees: \$3,587,580.00; Total Hours: 3,881.8.** These fees include all services rendered by Brown Rudnick in connection with the comprehensive investigation conducted into the Debtors' prepetition activities and events leading up to these Chapter 11 Cases, as well as the various causes of action that may be asserted on behalf of the Debtors' estates. As part of this investigation and strategy, Brown Rudnick drafted several information and document requests, reviewed over 30,000 documents produced in discovery, interviewed and deposed over twelve (12) individuals, including CEO Zach Prince, COO Flori Marquez, CFO Amit Cheela, former Head of Risk Rene van Kesteren, and present Head of Risk Yuri Mushkin. Brown Rudnick prepared a comprehensive report titled: *Preliminary Report Addressing Question Posed by the Official Committee of Unsecured Creditors: Why Did BlockFi Fail?* The report detailed the actions taken by the Committee as part of its investigation, a summary of the events leading to the commencement of the Chapter 11 Cases, and the Committee's preliminary assessment of causes of action related to the Debtors.

(h) **Wallet Motion and Related Analysis (Matter 0011): Fees: \$394,934.50; Total Hours: 398.1.** These fees include all services rendered by Brown Rudnick in responding to the Debtors' Wallet Motion⁴ requesting Court authority to release funds held in Wallet accounts to customers. Among other things, Brown Rudnick analyzed several issues implicated by the Wallet Motion, including identifying potential avoidable transfers in connection with the transfer of funds into Wallet accounts. The actions of the Ad Hoc Committee of Wallet Account Holders caused the Committee to evaluate, with Brown Rudnick's assistance, whether the transfers initiated by

⁴ See Debtors' Motion for Entry of an Order (I) Authorizing the Debtors to (A) Honor Withdrawals from Wallet Accounts, (B) Update the User Interface to Properly Reflect Transactions and Assets as of the Platform Pause, and (C) Conduct Ordinary Course Reconciliation of Accounts, and (II) Granting Related Relief (the "Wallet Motion") [Docket No. 121].

customers following the Platform Pause⁵ should be recognized. Brown Rudnick prepared and filed an objection to the Wallet Motion and a supplemental reply brief outlining the Committee's position and participated in litigation related thereto. Ultimately, Brown Rudnick negotiated a resolution to the Committee's objection to the Wallet Motion, as reflected in the order entered by this Court.

(i) **Claims Administration and Objections (Matter 0012): Fees: \$285,784.00; Total Hours: 293.6.** These fees include all services rendered by Brown Rudnick relating to claims administration, objections to claims, and allowance of claims. During the Application Period, Brown Rudnick evaluated the treatment of claims arising under the Debtors' various product offerings (*e.g.*, Wallet, BIA, retail/institutional loans, and private client program). This included analysis of, among other things: (i) the potential treatment of customers' loan claims (and potential setoff rights the customers may hold) and (ii) the intercompany claims held among the Debtors and the resulting impact on creditor recoveries at each Debtor entity as a result thereof.

(j) **Tax (Matter 0013): Fees: \$220,234.50; Total Hours: 186.5.** These fees include all services rendered by Brown Rudnick relating to research and analysis of the tax implications of proposed distributions under a Chapter 11 plan (or prior interim distributions) and potential tax treatment of customer losses.

(k) **BlockFi v. Emergent Fidelity Technologies Ltd. Issues (Matter 0014): Fees: \$87,780.00; Total Hours: 72.9.** These fees include all services rendered by Brown Rudnick in connection with this adversary proceeding. Brown Rudnick filed a motion to intervene therein and conducted legal research on several issues in developing its overall strategy. Upon the U.S.

⁵ See *id.* at ¶ 6 (defining the attempted transactions that occurred during the period of time after the Debtors had attempted to pause all platform activity).

government's seizure of the subject collateral at issue in this adversary proceeding and the bankruptcy filing of the adversary defendant Emergent, Brown Rudnick negotiated with the Debtors regarding its proposed stipulation staying all related issues pending the resolution of the U.S. government's investigation.

(l) **Hearings (Matter 0015): Fees: \$92,653.00; Total Hours: 68.1.** These fees include services rendered by Brown Rudnick relating to preparation for and attendance at hearings held during the Application Period, which included hearings on: (i) the Debtors' various second day motions; (ii) the Debtors' request to redact customers' personally identifiable information; (iii) the Debtors' proposed bidding procedures and proposed sale of certain mining assets; (iv) the Debtors' Wallet Motion; (v) the Debtors' cash management system; and (vi) the Debtors' exclusivity extension request. Additional hearings included other scheduled omnibus hearings, status conferences, the Bankruptcy Code section 341 hearing, and other hearings in connection with the various pending adversary proceedings.

(m) **Asset Recovery and Analysis (Matter 0017): Fees: \$147,085.50; Total Hours: 120.7.** These fees included services rendered by Brown Rudnick related to its participation in the sales process of the Debtors' mining assets. Brown Rudnick prepared and filed a limited objection and reservation of rights to the Debtors' bidding procedures motion, reviewed bids concerning the Debtors' mining assets and the sale of the Debtors' platform, and represented the Committee at the auction of the Debtors' mining assets. Brown Rudnick also worked to ensure the safety of estate funds held at various financial institutions following the collapse of certain of the Debtors' depositories.

(n) **Contested Matters (Matter 0020): Fees: \$331,538.50; Total Hours: 302.0.** These fees relate to services rendered by Brown Rudnick in analyzing and responding to the

various motions filed by the Debtors. Brown Rudnick analyzed the first and second day motions filed by the Debtors, provided recommendations to the Committee with respect thereto, and negotiated with the Debtors on requested modifications to certain proposed orders. Brown Rudnick also analyzed and prepared and filed pleadings related to, among other things, the Debtors' request to seal customers' personally identifiable information and the Debtor's key employee retention program.

7. Brown Rudnick asserts that the foregoing services were necessary to the administration of the Chapter 11 Cases and were beneficial to the Committee at the time which the services were rendered. All services were performed within a reasonable amount of time commensurate with the complexity, importance, and nature of the problem, issue or task addressed.

SUPPORTING DOCUMENTATION

8. As noted above, Brown Rudnick was retained to serve in the capacity of counsel to the Committee by Order of this Court dated February 23, 2023, which retention was effective as of December 29, 2022.

9. This Application represents Brown Rudnick's first interim fee application as counsel to the Committee and covers the period from December 29, 2022 through April 30, 2023.

10. The computerized time sheets included with the Monthly Fee Statements detail the services rendered by the members and associates of Brown Rudnick, the hourly rate charged by each member, associate or paralegal, and the actual time expended in the performance of such services. Said time sheets reflect that Brown Rudnick has expended 6,747.9 hours in performing services for the Committee, resulting in charges of \$6,637,442.50. The blended hourly rate charged herein is \$983.63 which Brown Rudnick believes is fair and reasonable in light of the nature of the services rendered and the expertise of the professionals rendering such services.

11. The Monthly Fee Statements also include a detailed breakdown of all out-of-pocket disbursements incurred by Brown Rudnick in the performance of its duties as counsel to the Committee, which total \$207,522.52. In the normal course of Brown Rudnick's practice, expenses are only charged to a client after the expenses are actually incurred by Brown Rudnick.

12. The following Monthly Fee Statements which comprise the instant Application were filed with the Court and served pursuant to the Interim Compensation Order:

Date Filed and Docket No.	Filing Period	Total Fees (at 100%)	20% Holdback	Fees Requested (at 80%)	Expenses Requested (at 100%)
(First) 3/14/2023 Docket No. 617	December 29, 2022 – January 31, 2023	\$1,493,625.00	\$298,725.00	\$1,194,900.00	\$10,129.53
(Second) 3/29/2023 Docket No. 698	February 1, 2023 – February 28, 2023	\$1,390,971.00	\$278,194.20	\$1,112,776.80	\$32,544.62
(Third) 4/12/2023 Docket No. 734	March 1, 2023 – March 31, 2023	\$2,219,085.00	\$443,817.00	\$1,775,268.00	\$82,428.76
(Fourth) 5/12/2023 Docket No. 872	April 1, 2023 – April 30, 2023	\$1,533,761.50	\$306,752.30	\$1,227,009.20	\$82,419.61
TOTAL		\$6,637,442.50	\$1,327,488.50	\$5,309,954.00	\$207,522.52

13. Annexed hereto and made part hereof as Exhibit A is the Certification of Robert J. Stark with respect to compliance of Local Rules 2016-1 and 2016-3 and the U.S. Trustee Guidelines.

RELIEF REQUESTED

14. In accordance with the factors enumerated in section 330 of the Bankruptcy Code, Brown Rudnick respectfully submits that the amount of compensation requested in this Application is fair and reasonable given (a) the complexity of the Chapter 11 Cases, (b) the time expended, (c) the

nature and extent of the services rendered, (d) the value of such services, and (e) the costs of comparable services other than in a case under the Bankruptcy Code.

15. Brown Rudnick has reviewed the requirements of Local Rules 2016-1 and 2016-3 and the U.S. Trustee Guidelines and believes this Application substantially complies therewith.

CONCLUSION

WHEREFORE, Brown Rudnick respectfully requests (a) interim approval and allowance of compensation for professional and paraprofessional services rendered as counsel to the Committee during the Application Period in the amount of \$6,637,442.50; (b) interim approval and allowance of the amount of actual and necessary out-of-pocket expenses incurred in the course of providing services as counsel to the Committee during the Application Period in the amount of \$207,522.52; (c) approval of payment of the Holdbacks in the amount of \$1,327,488.50; and (d) entry of an order authorizing and directing that the Debtors, as debtors-in-possession, pay to Brown Rudnick the amounts allowed, subject to amounts paid on account of the Monthly Fee Statements under the Interim Compensation Order, and (e) granting any and all further relief as may be appropriate.

Respectfully submitted,

New York, New York
Dated: June 15, 2023

By: /s/ Robert J. Stark
BROWN RUDNICK LLP
Robert J. Stark, Esq.
Kenneth J. Aulet, Esq.
Bennett S. Silverberg, Esq.
Seven Times Square
New York, NY 10036
Telephone: (212) 209-4800
Fax: (212) 209-4801
Email: rstark@brownrudnick.com

Stephen D. Palley, Esq.
601 Thirteenth Street, NW

Washington, DC 20005
Telephone: (202) 536-1700
Fax: (202) 536-1701
Email: spalley@brownrudnick.com

Tristan G. Axelrod, Esq.
Sharon I. Dwoskin, Esq.
One Financial Center
Boston, MA 02111
Telephone: (617) 856-8200
Fax: (617) 856-8201
Email: taxelrod@brownrudnick.com

*Counsel for the Official
Committee of Unsecured Creditors*